

Message Text

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DRAFTED BY ARA/AND:DKEMP
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TAGS: PEPR, ECON, MASS, PE, UR

SUBJECT: GARCIA BEDOYA PAYS COURTESY CALL ON ACTING
ASSISTANT SECRETARY BUSHNELL

1. BEGIN SUMMARY. FOLLOWING AMBASSADOR GARCIA BEDOYA'S
MEETING WITH DEPUTY ASSISTANT SECRETARY MCNEIL (SEPTTEL) HE
PAID A COURTESY CALL ON ACTING ASSISTANT SECRETARY BUSHNELL.
THE FOLLOWING TOPICS WERE DISCUSSED: PERU'S GENERAL
ECONOMIC SITUATION, REACTIVATION OF TWO CURRENT CFF LINES
OF CREDIT FROM EXIM, THE UNLIKELIHOOD OF PERU'S RECEIVING
ESF SUPPORT, PERUVIAN BANKING MISSIONS TO THE U.S., ROLL-
OVER OF THE SOVIET MILITARY DEBT AND PRESIDENT CARTER'S
UPCOMING VISIT TO LATIN AMERICA. END SUMMARY

2. AT AMBASSADOR GARCIA BEDOYA'S REQUEST, DEPUTY ASSISTANT
SECRETARY BUSHNELL MET WITH HIM ON JANUARY 26. ALTHOUGH
THE VISIT WAS A COURTESY CALL, THE PERUVIAN ECONOMIC AND
FINANCIAL SITUATION WAS NATURALLY DISCUSSED. THE AMBASSADOR
DESCRIBED PERU'S BALANCE OF PAYMENTS AND BUDGET PROBLEMS
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AS A COMBINATION OF INFLATION AND RECESSION, NOTED THAT THE
COUNTRY HAS TAKEN DIFFICULT MEASURES IN ACCORD WITH THE IMF
STANDBY AGREEMENT WITH WHICH IT WILL CONTINUE TO COMPLY,
BUT NEEDS OTHER SUPPORT, ESPECIALLY FROM PRIVATE BANKS.
MR. BUSHNELL OBSERVED THAT FROM HIS CONVERSATIONS WITH
AMERICAN PRIVATE BANKS THEY APPEAR WILLING TO TRY TO HELP.
HE VENTURED THAT THE WITTEVEEN FACILITY COULD BE OF

ASSISTANCE BUT DOUBTED THAT IT WOULD BE IN PLACE SOON ENOUGH TO HELP PERU.

3. TURNING TO EXIM BANK AND CFFS, MR. BUSHNELL TOLD THE AMBASSADOR THAT HE, HIMSELF, HAD SPOKEN WITH BOARD CHAIRMAN MOORE AND ON JANUARY 26 THE BOARD AGREED TO REACTIVATE THE TWO CURRENT CFF LINES OF CREDIT TO BANCO WIESE AND BANCO INDUSTRIAL. THE QUESTION OF RENEWING EXPIRED LINES, HE SAID, WAS A MORE DIFFICULT MATTER SINCE THEY HAD BEEN MUCH UNDER USED (PRIOR TO THE EXPIRY DATE BANCO CONTINENTAL HAS NOT USED ITS LINE AT ALL), AND IT WAS NORMAL EXIM PRACTICE TO REDUCE SUCH LINES WHEN THAT IS THE CASE. GARCIA BEDOYA DESCRIBED EXIM SUPPORT AS PSYCHOLOGICALLY AS WELL AS FINANCIALLY IMPORTANT TO PERU, AND APPEARED PLEASED WITH THE REACTIVATION OF THE CURRENT LINES OF CFFS.

4. CONCERNING A PERUVIAN DRAWING FROM THE ESF, MR. BUSHNELL THOUGHT IT UNLIKELY SINCE WE HAVE COME UNDER FIRE FROM CONGRESS FOR USING THE FACILITY IN THE LAST FEW YEARS, AND THE USG BELIEVED THAT THE PERUVIAN CASH FLOW WAS NOT SUCH AS TO WARRANT RESORT TO THE ESF AT THIS TIME. HE NOTED THAT ESF SUPPORT WAS IN ANY EVENT VERY SHORT TERM.

5. AMBASSADOR GARCIA BEDOYA THEN MENTIONED TWO PERUVIAN BANKING MISSIONS WHICH WILL VISIT THE U.S. EAST AND WEST COASTS DURING THE WEEK OF JANUARY 30, AND A SIMILAR LIMITED OFFICIAL USE

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MISSION TO EUROPE. CITIBANK WILL BE THE MAJOR CONTACT IN NEW YORK AND WELLS FARGO IN CALIFORNIA. MR. BUSHNELL STATED THAT IN HIS TALKS WITH U.S. BANKS ABOUT PERU THEY HAVE APPEARED BASICALLY POSITIVE IN THEIR OUTLOOK AND HE WAS HOPEFUL THAT THEY WOULD BE SUPPORTIVE.

6. IN REPLY TO QUESTIONS ON THE GOP PURCHASES OF RUSSIAN ARMS THE PERUVIAN AMBASSADOR NOTED THAT THESE WERE MADE BECAUSE THE U.S. SOURCING WAS CLOSED, THE MILITARY BELIEVED IT NEEDED SUCH MATERIEL, AND SOVIET PRICES WERE MUCH MORE CONCESSIONAL THAN THOSE QUOTED BY WESTERN EUROPEAN SUPPLIERS. HE OPINED THAT PERUVIAN MILITARY COOPERATION WITH THE USSR WAS FINALIZED BUT ADMITTED THAT DEPENDENCE ON SOVIET SPARE PARTS WOULD REMAIN, A FACTOR WHICH MR. BUSHNELL STATED CAUSES THE USG SOME CONCERN. THE DEPUTY ASSISTANT SECRETARY NOTED WITH APPROVAL THE SOVIET DECISION TO ROLLOVER THE PERUVIAN MILITARY DEBT SINCE THIS CLEARS THE ATMOSPHERE AND PREVENTS CLAIMS THAT PL-480 AND CCC ASSISTANCE AS WELL AS PRIVATE BANK LOANS ARE BEING USED TO BAIL OUT PERU TO PAY ITS SOVIET DEBT.

7. GARCIA BEDOYA THEN TURNED TO PERU'S NEED OF SUPPORT

FROM ITS FRIENDS IN ORDER TO CARRY OUT ITS PROGRAM OF
DEMOCRATIZATION. TO MR. BUSHNELL'S OBSERVATION THAT THE
AMERICAN PUBLIC SOMETIMES DOES NOT MAKE A DISTINCTION
BETWEEN A REFORMIST AND A CONSERVATIVE MILITARY REGIME,
GARCIA BEDOYA RESPONDED THAT THE MILITARY IN PERU IS A
LEADER IN SOCIAL AND ECONOMIC REFORM AND DESERVES
ASSISTANCE IN ACHIEVING ITS GOALS.

8. PRIOR TO HIS DEPARTURE THE AMBASSADOR NOTED THAT PERU
WOULD BE PLEASED TO RECEIVE PRESIDENT CARTER ON HIS FORTH-
COMING VISIT TO LATIN AMERICA. MR.BUSHNELL OBSERVED THAT
THE VISIT IS NOW BEING PLANNED BUT THAT IT WAS NOT LIKELY
THAT THE ITINERARY WOULD BE GREATLY EXPANDED. VANCE

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